



SF 369 – Business Investment and Seed Capital Tax Credits (LSB1921SV)
Analyst: Jeff Robinson (Phone: 515-281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version – New

Description

Senate File 369:

1. Repeals the Venture Capital Investment Tax Credit (Section 15E.51, Code of Iowa)
2. Allows an additional \$2.7 million in tax credits to be awarded under the existing Qualifying Business and Community-Based Seed Capital Fund Tax Credit (Section 15E.43, Code of Iowa). The maximum tax credit amount awarded in any one fiscal year is limited to \$1.0 million.
3. Amends the qualifying business requirements under the Qualifying Business and Community-Based Seed Capital Fund Tax Credit (Section 15E.44, Code of Iowa)

Background

The Venture Capital Investment Tax Credit was created in 2002 and has a maximum award amount of \$5.0 million. To date, \$2.3 million has been awarded and \$2.7 million of the cap remains.

The Qualifying Business and Community-Based Seed Capital Fund Tax Credit was established in 2002 with a maximum award amount of \$10.0 million. All credits have been awarded. Tax credits awarded may not be redeemed until the third tax year following the year awarded. The credits are not refundable or transferable, but unused credits may be carried forward five fiscal years.

Assumptions

1. The remaining \$2.7 million in Venture Capital Investment Tax Credit Program will not be used in the near or intermediate term.
2. The additional \$2.7 million in Qualifying Business and Community-Based Seed Capital Fund Tax Credits allowed in the Bill will be awarded \$1.0 million each in FY 2010 and FY 2011, and \$700,000 in FY 2012.
3. Of the additional tax credits, 40.0% will be redeemed in each of the first and second eligible years and 20.0% the third year.

Summary of Impacts

Increasing the credit amount available for the Qualifying Business and Community-Based Seed Capital Fund Tax Credit is projected to reduce net General Fund revenue by \$400,000 in FY 2013 and \$800,000 in FY 2014. See details in the following chart.

Estimated Net General Fund Reduction Due to Credit Redemptions

Credit Redemption Fiscal Year	Fiscal Impact Total	By Credit Award Year		
		FY 2010	FY 2011	FY 2012
FY 2013	400,000	400,000	0	0
FY 2014	800,000	400,000	400,000	0
FY 2015	880,000	200,000	400,000	280,000
FY 2016	480,000	0	200,000	280,000
FY 2017	140,000	0	0	140,000
	\$2,700,000	\$1,000,000	\$1,000,000	\$700,000

This fiscal estimate assumes the existing Venture Capital Investment Tax Credit will not be utilized in the near and intermediate term. Since the existing \$5.0 million cap on the credits does not expire, the repeal of this tax credit could reduce future tax credit redemptions should demand for the credit develop in the future.

Sources

Legislative Services Agency Analysis

/s/ Holly M. Lyons

March 24, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.